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TOWN OF CULLEN, LOUISIANA

ANNUAL FINANCIAL REPORT

JUNE 30, 2003

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Release Date 1.21.04

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MEMBERS

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SOCIETY OF LOUISIANA
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INDEPENDENT AUDITORS' REPORT

The Honorable Floydean White, Mayor,
and the Members of the Board of Aldermen
Town of Cullen, Louisiana

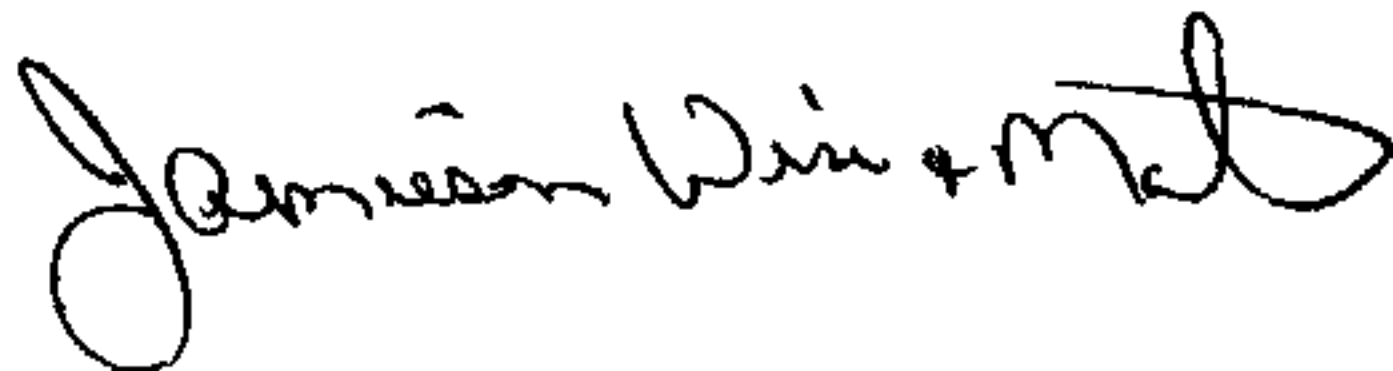
We have audited the accompanying general purpose financial statements of the Town of Cullen, Louisiana, as of and for the year ended June 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Town of Cullen's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Town of Cullen, Louisiana, as of June 30, 2003, and the results of its operations and its cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 3, 2003 on our consideration of the Town of Cullen's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Town of Cullen, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jameson Wain". The signature is fluid and cursive, with a large initial "J" and a stylized "W".

Minden, Louisiana

December 3, 2003

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Floydean White, Mayor,
and the Members of the Board of Aldermen
Town of Cullen, Louisiana

We have audited the general purpose financial statements of the Town of Cullen, Louisiana, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 3, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

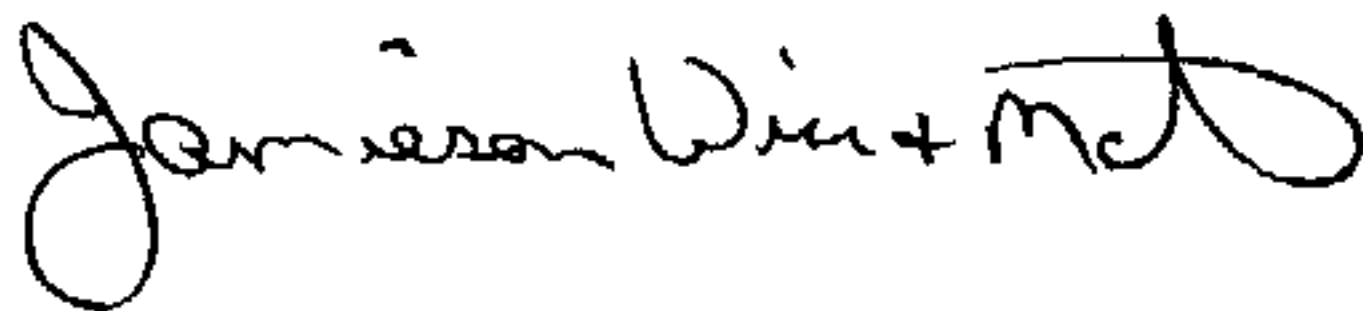
As part of obtaining reasonable assurance about whether Town of Cullen, Louisiana's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Cullen, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting

would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Town of Cullen, Louisiana in a separate letter dated December 3, 2003.

This report is intended for the information of management, Board of Alderman, the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Minden, Louisiana

December 3, 2003

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MANAGEMENT LETTER

The Honorable Floydean White, Mayor,
and the Members of the Board of Aldermen
Town of Cullen, Louisiana

We have audited the financial statements of the Town of Cullen, Louisiana, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 3, 2003.

In connection with our audit, we made certain observations relative to the records maintained, the accounting procedures in effect, and the overall administration of the financial affairs of the Town. As a supplement to the reports, we submit for your consideration pertaining to the following observations which did not meet the criteria of being material to the general purpose financial statements.

Internal Control items considered non-material to general purpose financial statements.

2003-1: Insufficient effort to collect delinquent utility accounts

The town is not following its policy for collecting delinquent utility accounts. The town's cut-off policy provides that if customers do not pay their bill by the end of the first month next succeeding the month in which the charge was incurred and for which it was billed, he shall be notified by the clerk of the town that such charge must be paid within ten days of the communication giving the notice, under penalty of having service disconnected. Continuing to provide services after the cut-off date and not actively trying to collect delinquent utility account balances is prohibited by Louisiana's constitution (Article VII, Section 14(A) of the Louisiana Constitution of 1974). In addition, the continued operation and quality of service provided to customers depends on the town collecting for the services it provides.

Our review of customers with balances overdue as of June 30, 2003 revealed that eighty-one out of eight hundred seventy-two accounts were over sixty days past due. Of these accounts, forty-three were still active, and only thirty-eight had been disconnected. In addition, overdue accounts were noted for several employees of the Town. The receivable of the eighty-one accounts was \$13,855,

which represents 34% of the total receivable balance as of June 30, 2003, before proposed write-offs for uncollectible accounts.

The town should:

- Enforce its cut-off policies and procedures to ensure that all delinquent accounts are collected on a timely basis or that service is discontinued.
- Take aggressive action to collect delinquent amounts, including legal action when necessary and using a collection agency.

2003-2: Controls over receivables and customer meter deposits

The town needs to improve controls over water, sewer, and garbage receivables and customer meter deposits. Our testwork revealed the following:

- The Water and Sewer Fund accounts receivable balance in the general ledger is not reconciled monthly with the detailed accounts receivable customer listing. At June 30, 2003, the general ledger balance totals \$32,267, and the detailed accounts receivable customer listing totals \$40,716, a difference of \$8,449. Of this difference, we were able to determine that \$7,186 was due to a posting error in the general ledger, leaving an unexplained variance of \$1,263.
- The meter deposit bank account balances and customer deposit liability account balance in the general ledger are not reconciled monthly with the detailed listing of customers' meter deposits. As of June 30, 2003, the cash balances in the meter deposit bank and investment accounts total \$23,602, the customer deposits payable in the general ledger total \$20,838. It is important to reconcile the deposit liability to the billing system, since any excess cash in the bank account can be used for general utility operations. No listing of the customer deposits balance had been printed for the year-end date of June 30, 2003.

The Town should (1) reconcile the accounts receivable balances in the general ledger with the detailed accounts receivable customer listing on a monthly basis; and (2) reconcile the customer meter deposit detailed listing to the related general ledger bank account balances and customer deposit liability on a monthly basis.

2003-3: Fixed asset record should be complete

Detailed general fixed asset records for equipment are not current, the equipment is not tagged, and physical inventories for these assets are not conducted annually. R.S. 24:515(B)(1) requires the town to maintain records of all land, buildings, improvements other than buildings, equipment and any other general fixed assets, which were purchased or otherwise acquired. The records should include information as to the date of purchase of such property or equipment and the initial cost. Good internal controls over fixed assets require that (1) detailed fixed asset records be

current; (2) every asset includes a tag identifying it with a number that can be cross-referenced to the detailed fixed asset records; and (3) a physical inventory be conducted at least on an annual basis.

The town's listing of general fixed assets was not current or complete. Our tests revealed that:

- A physical inventory was not conducted during our audit period.
- Equipment items are not tagged identifying it with a number that can be cross-referenced to the detailed listing.
- Although no physical inventory was conducted by the town to update the general fixed assets listing, a physical observation revealed some items on the listing needed to be removed because these items could not be located. One item of the police department acquired in 1999 totaling \$255, and three items of the street department totaling \$3,901 could not be located or did not exist. Two of the three items of the street department which could not be located were acquired in 1983 at a total cost of \$3,871 and the third item was acquired in 1973.
- A building was donated to the town. At the time of donation, no records were obtained to estimate the fair market value of this donation and add to general fixed asset listing.

The town should (1) define assets that will be inventoried, including the minimum value for inclusion on the list of fixed assets; (2) prepare a detailed list of fixed assets (the list should include the date of purchase and the initial cost and an accurate description of the item); (3) take a physical inventory at least annually and follow up on items not found during the physical inventory; and (4) identify (tag) assets that belong to the town and include the tag number on the detailed listing of fixed assets.

2003-4: Deposits not made on a daily basis

Town does not reconcile cash drawers on a daily basis. Our testwork revealed:

- The town does not reconcile its cash drawers on a daily basis.
- Deposits of receipts are not made to the bank on a daily basis.
- Petty cash expenses are not reimbursed on a regular basis.

For proper controls, the town should perform a reconciliation of its cash drawers and deposit receipts with the bank on a daily basis. Petty cash should be reconciled and replenished regularly. Employees should not take money from one drawer to balance another drawer.

2003-5: Balance due to FEMA

The town is required to pay FEMA back for the difference in cleanup costs incurred and revenues received from FEMA. During 2001, the town received funds from FEMA to aid debris removal and emergency protective measures as a result of an ice storm. In the prior year, final costs of the cleanup were incurred leaving a balance due back to FEMA of \$10,579. As of June 30, 2003,

repayment to FEMA for unused funds has not been made.

The town should contact FEMA and determine whether repayment is required.

2003-6: Enforcement of town ordinance

The town has not followed the appropriate procedures as stipulated in it's ordinance regarding requirements that landowners clear their premises. If any property owner situated within the corporate limits of Cullen shall fail or neglect to comply with the provisions of the town code concerning clearing of premises, the mayor may, at his discretion, give the landowner a written "Notice to Comply." This written notice may be given by registered mail, or may be given through advertisement in the official journal of the town for two consecutive days, and will give the owner at least ten days to comply with the requirements. If the owner fails to comply, the town may cut the grass, weeds, or other noxious growths or cause them to be cut and charge the owner for all of the costs thereof, if done by any other than the town, or reasonable charges if done by the town.

Our tests revealed:

- Town incurred the cost of cleaning the lots of property owners without giving proper notice to comply.
- Efforts to collect payments are limited to letters to property owners notifying of amount due to the town. Some property owners refuse to reimburse the town because proper notification was not received.
- Lack of system to properly account for amounts receivable from property owners for costs incurred. As of June 30, 2003, the town incurred \$910 of unreimbursed lot cleaning expense.

The Town should notify property owners as specified by the town code before incurring the cost of cleaning any property. A system of accounting and proper billing for lot cleaning expenses that the town incurs should be established. If property owners are not billed for cleanup costs, the town would be loaning public funds which is a violation of Louisiana's Constitution.

2003-7: Control over cellular phone usage and town assets

Town does not have a cellular phone usage policy. The town provides a cellular phone to the Mayor and the Police Chief. Currently, the town has no formal cellular phone policy. During our testwork, we noted that the town is incurring charges from Alltel for 3 cellphones. Only one telephone is being used by the police chief, the other two have not been cancelled, and subsequently the town is incurring a monthly fee for the unused phones. During the current year, the mayor obtained a separate cellular phone plan through AT&T wireless.

We recommend that the town adopt a cellular phone policy and develop a system which provides

documentation that invoices are reviewed, personal calls are identified and repayment of personal calls made to the town.

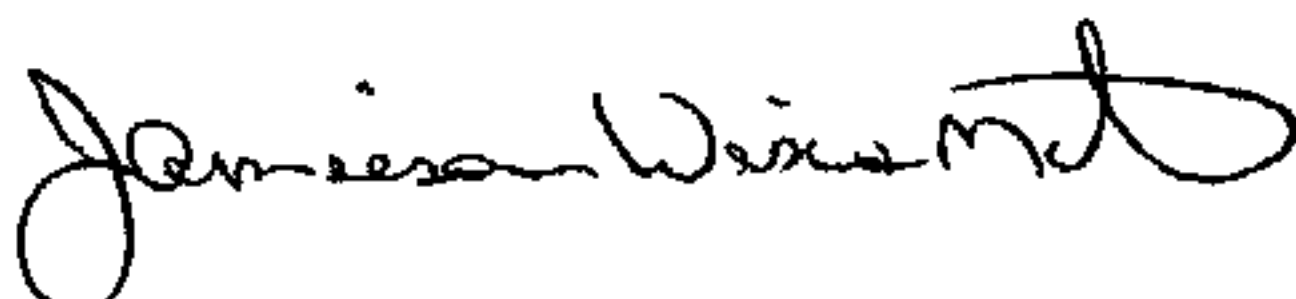
Town Policy for use of assets – We noted in review of minutes, complaints made regarding possible use of the town's equipment for personal matters. It was noted the town allows one employee to take the town vehicle after business hours due to possible town business after hours. The town management needs to reemphasize to town personnel that use of town assets is restricted to public purposes. Personal use must be limited to incidental use while carrying on town business.

2003-8: Control over payroll

During payroll testwork, we noted time cards being punched in by other employees. We observed time cards being punched by one employee for other employees. Since these time cards are used to produce payroll, for better controls we recommend that the supervisors of employees sign off on a log sheet for employee time and the mayor sign the supervisor time sheet to indicate approval. The town must establish a system to verify that employees are reporting to work and town funds are spent for actual work performed.

Prior audit findings have been addressed by the Town management unless included in the above comments. Should you have any questions concerning the contents of this letter or if we can be of any additional service, please contact us at your convenience.

Very truly yours,



Jamieson, Wise & Martin

December 3, 2003

GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

TOWN OF CULLEN, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 2003

	Governmental Fund Types		Proprietary	Account Groups			Totals	
	General	Special Revenue	Fund Types	General	Fixed	Long-term	(Memorandum Only)	
			Enterprise	Assets	Debt	2003	2002	
ASSETS								
Cash	\$ 48,021	23,933	30,458	-	-	-	102,412	72,392
Cash - CDs	1,990	36,349	99,410	-	-	-	137,749	68,878
Investments	119,010	122,635	783,369	-	-	-	1,025,014	1,315,133
Receivables:								
Taxes and fees	5,938	8,182	-	-	-	-	14,120	18,925
Grants	300	-	-	-	-	-	300	-
Water and sewer customers	-	-	34,430	-	-	-	34,430	39,383
Other	8,905	49,620	76	-	-	-	58,601	57,046
Due from other funds	12,381	26,136	10,491	-	-	-	49,008	43,177
Supplies inventory, at cost	-	-	5,000	-	-	-	5,000	5,366
Prepaid expenses	500	-	-	-	-	-	500	500
Deposits	10	-	-	-	-	-	10	10
Restricted assets:								
Cash	2,199	-	2,699	-	-	-	4,898	6,114
Cash - CDs	7,086	-	-	-	-	-	7,086	41,702
Investments	-	-	20,903	-	-	-	20,903	20,600
Water and Sewer System Fund:								
Plant and equipment - net	-	-	1,448,239	-	-	-	1,448,239	1,516,073
Land	-	-	-	69,693	-	-	69,693	69,693
Buildings	-	-	-	493,317	-	-	493,317	414,526
Improvements other than buildings	-	-	-	887,941	-	-	887,941	887,941
Equipment	-	-	-	593,847	-	-	593,847	610,151
Construction in progress	-	-	-	-	-	-	-	-
Unamortized bond issuance expense	-	-	-	-	-	-	-	6,272
Funds to be provided for retirement of GLTD	-	-	-	-	-	68,569	68,569	86,861
Total assets	\$ 206,340	266,855	2,435,075	2,044,798	-	68,569	5,021,637	5,280,743

TOWN OF CULLEN, LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 2003

	Governmental Fund Types		Proprietary Fund Types	Account Groups		Totals	
	General	Special Revenue		General Fixed Assets	General Long-Term Debt	(Memorandum Only)	
							2003
LIABILITIES, FUND EQUITY AND OTHER CREDITS							
Liabilities:							
Accounts payable	\$ 55,152	-	5,481	-	-	60,633	
Due to other funds	1,047	31,046	16,915	-	-	49,008	
Accrued compensated absences	-	-	-	-	4,002	4,002	
Payable from restricted assets	-	-	20,838	-	-	20,838	
Revenue bonds payable	-	-	-	-	-	-	
Certificate of Indebtedness	-	-	-	-	64,567	64,567	
Total liabilities	56,199	31,046	43,234	-	68,569	199,048	
						442,049	
Fund equity and other credits:							
Contributed capital	-	-	2,385,883	-	-	2,385,883	
Investment in general fixed assets	-	-	-	2,044,798	-	2,044,798	
Retained earnings -							
Unreserved	-	-	5,958	-	-	5,958	
Fund balances:						(3,729)	
Reserved for drug policing activities	2,199	-	-	-	-	2,199	
Reserved for debt retirement	7,086	-	-	-	-	7,086	
Unreserved:							
Designated for Ludwig Park	1,942	-	-	-	-	1,942	
Undesignated	138,914	235,809	-	-	-	374,723	
Total fund equity and other credits	150,141	235,809	2,391,841	2,044,798	-	4,822,589	
						4,838,694	
Total liabilities, fund equity and other credits	\$ 206,340	266,855	2,435,075	2,044,798	68,569	5,021,637	
						5,280,743	

The accompanying notes are an integral part of this financial statement.

TOWN OF CULLEN, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 Year Ended June 30, 2003

			Totals	
			(Memorandum Only)	
	General	Special Revenue	2003	2002
Revenues:				
Taxes	\$ 11,351	100,831	112,182	119,235
Licenses and permits	66,036	-	66,036	54,995
Intergovernmental	37,670	-	37,670	117,420
Charges for services	64,963	-	64,963	50,699
Fines and forfeits	13,576	-	13,576	17,316
Interest	2,541	2,447	4,988	8,577
Miscellaneous	8,993	-	8,993	14,156
Total revenues	<u>205,130</u>	<u>103,278</u>	<u>308,408</u>	<u>382,398</u>
Expenditures:				
Current -				
General government	78,529	7,217	85,746	159,847
Public safety - Police	188,200	-	188,200	173,828
Highways and streets	14,727	-	14,727	16,731
Sanitation	38,825	-	38,825	39,846
Culture and recreation	-	5,303	5,303	7,100
Debt service	21,374	-	21,374	21,374
Total expenditures	<u>341,655</u>	<u>12,520</u>	<u>354,175</u>	<u>418,726</u>
Excess (deficiency) of revenues over expenditures	<u>(136,525)</u>	<u>90,758</u>	<u>(45,767)</u>	<u>(36,328)</u>
Other financing sources (uses):				
Sale of capital assets	-	-	-	200
Operating transfers in	136,243	-	136,243	118,641
Operating transfers out	-	(141,243)	(141,243)	(118,641)
Total other financing sources (uses)	<u>136,243</u>	<u>(141,243)</u>	<u>(5,000)</u>	<u>200</u>
(Deficiency) of revenues and other sources over expenditures and other uses	(282)	(50,485)	(50,767)	(36,128)
Fund balances at beginning of year	<u>150,423</u>	<u>286,294</u>	<u>436,717</u>	<u>472,845</u>
Fund balances at end of year	<u>\$ 150,141</u>	<u>235,809</u>	<u>385,950</u>	<u>436,717</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CULLEN, LOUISIANA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET (CASH BASIS) AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES
 YEAR ENDED JUNE 30, 2003

	General Fund		
	Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
Revenues:			
Taxes	\$ 11,351	11,217	(134)
Licenses and permits	46,250	65,979	19,729
Intergovernmental	36,550	40,550	4,000
Charges for services	63,000	63,204	204
Fines and forfeits	9,755	13,126	3,371
Interest	2,743	2,541	(202)
Miscellaneous	5,995	9,625	3,630
Total revenues	<u>175,644</u>	<u>206,242</u>	<u>30,598</u>
Expenditures:			
General government	91,685	73,304	18,381
Public safety -			
Police	193,765	184,324	9,441
Highways and streets	20,525	13,165	7,360
Sanitation	41,840	37,992	3,848
Culture and recreation	-	-	-
Debt service	21,425	21,374	51
Total expenditures	<u>369,240</u>	<u>330,159</u>	<u>39,081</u>
Excess (deficiency) of revenues over expenditures	<u>(193,596)</u>	<u>(123,917)</u>	<u>69,679</u>
Other financing sources (uses):			
Operating transfers in	140,000	136,900	(3,100)
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>140,000</u>	<u>136,900</u>	<u>(3,100)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(53,596)</u>	<u>12,983</u>	<u>66,579</u>
Fund balances at beginning of year	<u>154,152</u>	<u>154,152</u>	<u>-</u>
Fund balances at end of year	<u>\$ 100,556</u>	<u>167,135</u>	<u>66,579</u>

The accompanying notes are an integral part of this financial statement.

Special Revenue Funds		
Budget	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)
103,875	102,199	(1,676)
-	-	-
-	-	-
-	-	-
-	-	-
2,250	2,264	14
-	-	-
<u>106,125</u>	<u>104,463</u>	<u>(1,662)</u>
9,475	7,217	2,258
-	-	-
-	-	-
-	-	-
7,000	5,426	1,574
-	-	-
<u>16,475</u>	<u>12,643</u>	<u>3,832</u>
89,650	91,820	2,170
-	-	-
<u>(145,000)</u>	<u>(141,900)</u>	<u>3,100</u>
<u>(145,000)</u>	<u>(141,900)</u>	<u>3,100</u>
(55,350)	(50,080)	5,270
<u>216,443</u>	<u>216,443</u>	<u>-</u>
<u>161,093</u>	<u>166,363</u>	<u>5,270</u>

TOWN OF CULLEN, LOUISIANA
ENTERPRISE FUNDS

COMBINED BALANCE SHEET

June 30, 2003

	Water Fund	Sewer Fund	Totals (Memorandum Only)	
			2003	2002
ASSETS				
Current assets:				
Cash	\$ 12,157	18,301	30,458	12,619
Certificates of deposit	3,239	96,171	99,410	2,050
Investments	214,813	568,556	783,369	1,066,136
Accounts receivable - customers	14,278	20,152	34,430	39,383
Accounts receivable - other	76	-	76	26
Supplies inventory - at cost (FIFO)	5,000	-	5,000	5,366
Due from other funds	10,347	144	10,491	5,044
Total current assets	<u>259,910</u>	<u>703,324</u>	<u>963,234</u>	<u>1,130,624</u>
Restricted assets:				
Cash - Customers' meter deposits	2,699	-	2,699	3,915
Investments	20,903	-	20,903	20,600
Certificates of deposit -				
Bond sinking fund	-	-	-	2,581
Bond reserve fund	-	-	-	16,431
Bond contingency fund	-	-	-	17,152
Total restricted assets	<u>23,602</u>	<u>-</u>	<u>23,602</u>	<u>60,679</u>
Plant and equipment - at cost	1,147,024	2,589,991	3,737,015	3,726,238
Less accumulated depreciation	<u>(625,534)</u>	<u>(1,663,242)</u>	<u>(2,288,776)</u>	<u>(2,210,165)</u>
	<u>521,490</u>	<u>926,749</u>	<u>1,448,239</u>	<u>1,516,073</u>
Other assets:				
Unamortized bond issuance expense (net)	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,272</u>
Total other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,272</u>
Total assets	<u>\$ 805,002</u>	<u>1,630,073</u>	<u>2,435,075</u>	<u>2,713,648</u>

The accompanying notes are an integral part of these financial statements.

	Water Fund	Sewer Fund	Totals (Memorandum Only)	
			2003	2002
Liabilities and Fund Equity				
Current liabilities:				
Payable from current assets -				
Accounts payable	\$ 3,088	2,393	5,481	9,473
Current portion bonds payable	-	-	-	251,856
Due to other funds	6,967	9,948	16,915	11,140
Payable from restricted assets -				
Customers's meter deposits	<u>20,838</u>	<u>-</u>	<u>20,838</u>	<u>21,513</u>
Total current liabilities	<u>30,893</u>	<u>12,341</u>	<u>43,234</u>	<u>293,982</u>
Fund equity:				
Contributed capital -				
Municipality	128,700	166,671	295,371	292,767
Federal revenue sharing	60,202	-	60,202	60,202
In aid of construction	84,308	-	84,308	84,308
Federal grants and state grants	500,506	1,445,496	1,946,002	1,986,118
Retained earnings	<u>393</u>	<u>5,565</u>	<u>5,958</u>	<u>(3,729)</u>
Total fund equity	<u>774,109</u>	<u>1,617,732</u>	<u>2,391,841</u>	<u>2,419,666</u>
Total liabilities and fund equity	<u>\$ 805,002</u>	<u>1,630,073</u>	<u>2,435,075</u>	<u>2,713,648</u>

TOWN OF CULLEN, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
Year Ended June 30, 2003

	Water Fund	Sewer Fund	Totals (Memorandum Only)	
			2003	2002
Operating revenues:				
Charges for services -				
Water sales	\$ 110,359	-	110,359	79,469
Sewer service charges	-	153,689	153,689	147,693
Reconnect charges	2,016	-	2,016	1,804
Tie-in charges	365	225	590	140
Delinquent charges and penalties	-	7,626	7,626	6,801
Miscellaneous revenue	583	-	583	163
Total operating revenues	<u>113,323</u>	<u>161,540</u>	<u>274,863</u>	<u>236,070</u>
Operating expenses:				
Salaries	43,032	47,371	90,403	88,970
Payroll taxes	3,310	3,722	7,032	7,031
Insurance	6,515	6,370	12,885	13,144
Repairs and maintenance	14,167	29,655	43,822	39,106
Supplies	10,475	917	11,392	6,676
Utilities	20,465	22,746	43,211	35,780
Amortization	-	-	-	209
Depreciation	28,566	56,537	85,103	132,276
Office supplies	913	1,361	2,274	2,583
Accounting and legal	2,900	2,900	5,800	5,950
Schools and training	211	244	455	681
Testing and permits	-	3,431	3,431	2,760
Bad Debt	1,629	2,090	3,719	6,367
Miscellaneous	6,012	285	6,297	2,540
Total operating expenses	<u>138,195</u>	<u>177,629</u>	<u>315,824</u>	<u>344,073</u>
Operating (loss)	(24,872)	(16,089)	(40,961)	(108,003)
Non-operating revenues (expenses)				
Loss on disposal of equipment	(130)	-	(130)	-
Interest expense	-	(1,818)	(1,818)	(13,441)
Interest revenue	3,902	9,850	13,752	28,762
Transfer in	5,000	-	5,000	-
Total non-operating revenues (expenses)	<u>8,772</u>	<u>8,032</u>	<u>16,804</u>	<u>15,321</u>
Net (loss)	(16,100)	(8,057)	(24,157)	(92,682)
Extraordinary loss - unamortized bond issuance cost	-	(6,272)	(6,272)	-
Add depreciation on fixed assets acquired by grants, entitlements, and shared revenues externally restricted for capital acquisitions and construction that reduces contributed capital	20,667	19,449	40,116	40,116
Retained earnings (deficit) - beginning of year	<u>(4,174)</u>	<u>445</u>	<u>(3,729)</u>	<u>48,837</u>
Retained earnings (deficit) - end of year	<u>\$ 393</u>	<u>5,565</u>	<u>5,958</u>	<u>(3,729)</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CULLEN, LOUISIANA
ENTERPRISE FUNDS

COMBINED STATEMENT OF CASH FLOWS

Year Ended June 30, 2003

	Water Fund	Sewer Fund	Totals (Memorandum Only) 2003 2002
Cash flows from operating activities:			
Cash received from customers	\$ 110,302	164,488	274,790
Cash payments for supplies and services	(65,918)	(74,307)	(140,225)
Cash payment for salaries	(43,032)	(47,371)	(90,403)
Other operating revenues	583	-	583
Operating transfer (to)/from other funds	(6,599)	11,927	5,328
Net cash provided (used) by operating activities	(4,664)	54,737	50,073
			17,052
Cash flows from capital and related financing activities:			
Purchase of assets	(12,748)	(2,048)	(14,796)
Principal payments on long-term debt	-	(251,856)	(251,856)
Interest payments on long-term debt	-	(1,818)	(1,818)
Net cash (used) by capital and related financing activities	(12,748)	(255,722)	(268,470)
			(6,657)
			(35,531)
			(13,441)
			(55,629)
Cash flows from investing activities:			
Deposits with investment pools	(3,683)	(8,854)	(12,537)
Interest earned on cash and cash investments	3,902	9,850	13,752
Withdrawals from investment pools	20,000	275,000	295,000
Net cash provided by investing activities	20,219	275,996	296,215
			21,012
Net increase (decrease) in cash and cash equivalents	2,807	75,011	77,818
			(17,565)
Cash and cash equivalents at beginning of year	15,288	39,461	54,749
			72,314
Cash and cash equivalents at end of year	\$ 18,095	114,472	132,567
			54,749

TOWN OF CULLEN, LOUISIANA
ENTERPRISE FUNDS

COMBINED STATEMENT OF CASH FLOWS
Year Ended June 30, 2003

	Water Fund	Sewer Fund	Totals (Memorandum Only)
			2003 2002
Reconciliation of operating income to net cash provided by operating activities:			
Operating loss	\$ (24,872)	(16,089)	(40,961)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	28,566	56,537	85,103
Bad debt expense	1,629	2,090	3,719
(Increase) decrease in accounts receivable	(1,713)	2,948	1,235
(Increase) decrease in accounts receivable - other	(50)	-	(50)
(Increase) decrease in due from other funds	(5,205)	1,979	(3,226)
(Increase) decrease in inventory	366	-	366
Increase (decrease) in accounts payable	(1,316)	(2,676)	(3,992)
Increase (decrease) in due to other funds	(1,394)	9,948	8,554
Increase (decrease) in deposits	(675)	-	(675)
Net cash provided (used) by operating activities	\$ (4,664)	54,737	50,073
			<u>17,052</u>

Schedule of Noncash Investing, Capital and Financing Activities

The water and sewer fund received a transfer of a vehicle from the general fund. For the year ended June 30, 2003, the proprietary fund recognized assets and contributed capital from the general fund in the amount of \$2,604.

The accompanying notes are an integral part of this financial statement.

TOWN OF CULLEN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

1. Summary of significant accounting policies

The Town of Cullen was incorporated June 16, 1955, under the provisions of the Lawrason Act and is located in northern Webster Parish. The Town operates under a Mayor-Board of Aldermen form of government and provides the following services as authorized by its charter: general administrative services, public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, and planning and zoning. The Board of Aldermen is made up of five members who are elected by the citizens of Cullen to serve four-year terms. They are compensated for their services.

The accounting and reporting policies of the Town of Cullen conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of the Louisiana Municipal Audit and Accounting Guide and to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

- A. Basis of presentation The accompanying financial statements of the Town of Cullen conform with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.
- B. Reporting entity GASB Statement No. 14 established criteria for determining the governmental reporting entity. For financial reporting purposes, in conformance with GASB 14, the Town of Cullen includes all funds, account groups, et cetera, that are within the financial accountability of the Town. Certain units of local government over which the Town exercises no financial accountability are excluded from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the Town of Cullen.
- C. Fund accounting The Town of Cullen uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

TOWN OF CULLEN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

A fund is a separate accounting entity with a set of self-balancing accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable resources.

Funds of the Town of Cullen are classified into two categories: governmental and proprietary. Each category, in turn, is divided in separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds -

Governmental funds account for all or most of the Town of Cullen's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. Governmental funds include:

General Fund - the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Projects Funds - account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported on other governmental funds.

Proprietary Funds -

Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator.

TOWN OF CULLEN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Proprietary funds include:

Enterprise Funds - account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user fees; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

- D. Basis of accounting The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by all governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

Revenues - generally recognized when they become measurable and available as net current assets. Revenues collected within 60 days after year-end are considered available to pay liabilities of the current period.

Expenditures - generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except that accumulated unpaid vacation and sick pay are not accrued and principal and interest on general long-term debt is recognized when due. Purchases of various operating supplies are regarded as expenditures at the time purchased.

Other financing sources (uses) - transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

All proprietary fund types are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The proprietary funds use the accrual basis of accounting. Revenues are

TOWN OF CULLEN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

recognized when earned and expenses are recognized at the time the liabilities are incurred.

E. Budgets and budgetary accounting The Town follows the following budget practices:

- a) The Town Clerk prepares a proposed budget and submits same to the Mayor and Board of Aldermen no later than fifteen days prior to the beginning of each fiscal year.
- b) The public is notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
- c) A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
- d) After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
- e) Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases or decreases in expenditures resulting from revenues exceeding or failing to meet amounts estimated require the approval of the Board of Aldermen.
- f) All budgetary appropriations lapse at the end of each fiscal year.
- g) Budgets for the General and Special Revenue Funds were adopted on a cash basis for the year ended June 30, 2003. Budgeted amounts, as originally adopted, are amended from time to time by the Board of Aldermen. Such amendments were not material in relation to the original appropriations. Budgets comparisons are not presented for the following grant due to the restriction of these funds for the purposes authorized by the underlying grant:

Special Revenue Funds-

Rural Development Revolving Loan Program Grant

- h) The revenues and expenditures presented on Page 13 using the GAAP basis are

TOWN OF CULLEN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

reconciled with the Actual on Budgetary Basis presented on Pages 14 and 15 as follows:

	General <u>Fund</u>	Special Revenue <u>Funds</u>
Total revenues (GAAP Basis)	\$ 205,130	103,278
Adjustments:		
Revenue accruals	1,112	1,368
Revolving Loan Program	<u>-</u>	<u>(183)</u>
Total revenues (Budgetary Basis)	\$ <u>206,242</u>	<u>104,463</u>
Total expenditures (GAAP Basis)	\$ 341,655	12,520
Adjustments:		
Expenditure accruals	<u>(11,496)</u>	<u>123</u>
Total expenditures (Budgetary Basis)	\$ <u>330,159</u>	<u>12,643</u>

- F. Encumbrances The Town of Cullen does not employ the use of encumbrance accounting in its governmental funds.
- G. Cash and cash equivalents Cash includes amounts in demand deposits and certificates of deposits. Under state law, the Town may deposit funds in demand deposits, interest bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.
- H. Investments - Investments are limited by Louisiana Revised Statute (R.S. 33:2955) and the municipality's investment policy. Under state law, the Town of Cullen may invest in United States bonds, treasury notes, or certificates. If the original maturities of investments exceed 90 days, they are classified as investment; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

Investments held at the Town of Cullen consist of \$ 1,045,917 in the Louisiana Asset

TOWN OF CULLEN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126, the investment in LAMP at the Town of Cullen is not categorized in the three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA – R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of the domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

- I. Short-term interfund receivables and payables During the course of operations, numerous

TOWN OF CULLEN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

transactions occur between funds for goods or services rendered. These receivables and payables are classified as due from funds or due to funds on the balance sheet. Short-term interfund loans are classified as interfund receivables and payables.

- J. Bad debts All receivables are considered fully collectible and, therefore, no allowance for uncollectible amounts is provided. If amounts become uncollectible, they are charged to operations when that determination is made.
- K. Inventories Inventories of supplies in the proprietary funds are valued at cost (first-in, first-out).
- L. Fixed assets Fixed assets of governmental funds are recorded as expenditures at the time they are purchased or constructed, and the related assets are capitalized (reported) in the GFAAG. The Town has elected to capitalize public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks, and drainage improvements. No depreciation has been provided on general fixed assets.

Fixed assets used in the proprietary fund operations are included on the balance sheet of the funds net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by proprietary fund operations is charged as an expense against operations.

Depreciation is computed using the straight-line method with the following useful lives:

Water Utility -

Wells	33 years
Storage tanks	33 years
Lines	33 years
Equipment	5-10 years

Sewerage Utility -

Pump stations	33 years
Lines	33 years
Equipment	5-10 years

All fixed assets are stated at historical cost. Donated fixed assets are stated at their estimated fair value on the date donated.

TOWN OF CULLEN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

- M. Restricted assets - For the year ended June 30, 2003, the Town of Cullen received confiscated drug revenues which are restricted for expenditure on drug policing activities. The Town accounts for these revenues in the general fund as allowed by GASB Cod. Sec 1300.107 which notes that if the purpose is normally financed through the general fund, that fund (instead of a special revenue fund) may be used to account for restricted resources and expenditures as long as applicable legal requirements can be satisfied.

Certain proceeds of the General Fund Certificate of Indebtedness, Series 1999, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable covenants.

There shall be set aside into a "Certificates of Indebtedness, Series 1999, Reserve Fund," an amount at least equal to 10% of the amount to be paid monthly into the Sinking Fund until there has been accumulated therein a sum equal to the highest combined principal and interest falling due in any succeeding year. The money in the Reserve Fund is to be used solely for the purpose of paying the principal and interest on the Certificate as which there would otherwise be default.

- N. Compensated absences: Employees are allowed to accrue ten days of sick leave each year. Employees can be paid sick leave only when sick. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Employees are granted annual leave as follows:

> 3 years of service	5 days (40 hours)
3-8 years of service	10 days (80 hours)
> 8 years of service	15 days (120 hours)

Annual leave is granted to each employee on their anniversary date of employment based on years of service. No carryover is allowed for annual leave. Upon termination of employment, an employee will be paid for unused vacation as of the termination date. Accumulated unpaid annual leave is accrued when incurred in the proprietary funds (using

TOWN OF CULLEN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

the accrual basis of accounting.) Such amounts are not accrued in governmental funds (using the modified accrual basis of accounting), however these amounts are recorded in the General Long Term Debt Account Group. At June 30, 2003, accumulated unpaid vacation recognized in the General Long Term Debt Account Group was \$4,002.

- O. Long-term obligations Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

- P. Fund equity

Contributed Capital -

Contributed capital is recorded in the enterprise funds for capital grants restricted for the acquisition or construction of capital assets. For the year ended June 30, 2003, the Town closed depreciation expense directly related to the contributed capital account for those assets which were constructed with resources externally restricted for capital acquisitions in accordance with GASB Codification Section G60.116.

Reserves -

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

Designated Fund Balances -

Designated fund balances represent tentative plans for future use of financial resources.

- Q. Interfund transactions Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

- R. Sales taxes The voters of the Town of Cullen approved a 1% sales and use tax on January

TOWN OF CULLEN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

20, 1970. The proposition approved by the voters specifies that the revenue may be used for any lawful corporate purpose. On November 21, 1987, the voters approved a 1/2% sales and use tax which specifies that the revenue may be used for the purpose of constructing, operating and maintaining the sewer system, waterworks, garbage collection and waste disposal facilities, fire department stations and related facilities, public parks and related facilities, and streets, alleys, sidewalks and bridges and for payment of salaries of non-elected municipal employees.

On April 29, 1995, the voters approved an additional 1% sales and use tax which specifies that revenue may be used for any lawful purpose for the town and authority to fund the tax proceeds into bonds to pay the costs of any lawful capital improvements for the town.

- S. Total columns on combined statements Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. Ad valorem taxes

For the year ended June 30, 2003, taxes of 7.62 mills were levied on property with assessed valuations totaling \$1,489,800 and were dedicated as follows:

General corporate purposes	7.62 mills
----------------------------	------------

Total taxes levied were \$11,352.

Ad valorem taxes attach as an enforceable lien on the valuation of property as of January 1, of each year. The Town of Cullen bills and collects its property taxes using the assessed values determined by the tax assessor of Webster Parish.

3. Cash and cash equivalents

At June 30, 2003, the Town of Cullen had cash and cash equivalents totaling \$252,145 as

TOWN OF CULLEN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

follows:

Petty cash	\$ 823
Demand deposits	106,487
Certificates of deposit	<u>144,835</u>
Total	\$ <u>252,145</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2003, the Town of Cullen had \$255,957 in bank deposits. These deposits are secured from risk by \$101,447 of federal deposit insurance and \$302,604 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon demand.

4. Restricted assets

For the government fund types, the restricted assets were applicable to the following at June 30, 2003:

Confiscated drug revenues	\$ 2,199
Certificate of Indebtedness sinking fund	1,281
Certificate of Indebtedness reserve fund	<u>5,805</u>
Total	\$ <u>9,285</u>

For the proprietary fund types, restricted assets were applicable to the following at June 30, 2003:

Customers' meter deposits – cash	\$ 2,699
Customers' meter deposits – investment	<u>20,903</u>
Total	\$ <u>23,602</u>

TOWN OF CULLEN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

5. Changes in general fixed assets

A summary of changes in general fixed assets is presented below:

	Balance June 30, 2002	Additions	Retirements	Balance June 30, 2003
Land	\$ 69,693	-	-	69,693
Buildings	414,526	78,791	-	493,317
Improvements other than buildings	887,941	-	-	887,941
Equipment	610,151	9,847	(26,151)	593,847
Total general fixed assets	\$ <u>1,982,311</u>	<u>88,638</u>	<u>(26,151)</u>	<u>2,044,798</u>

6. Proprietary fund type property, plant and equipment

A summary of changes in the Water and Sewer System Funds property, plant and equipment is presented below:

Description	Balance June 30, 2002	Additions	Retirement	Balance June 30, 2003
Land & easements	\$ 7,925	-	-	7,925
Water tank	33,319	-	-	33,319
Water wells/system	171,838	10,800	-	182,638
Water lines	901,245	-	-	901,245
Sewer system	1,972,522	-	-	1,972,522
Oxidation pond	32,958	-	-	32,958
Equipment	602,686	6,600	(6,623)	602,663
Buildings	<u>3,745</u>	<u>-</u>	<u>-</u>	<u>3,745</u>
Totals	\$ <u>3,726,238</u>	<u>17,400</u>	<u>(6,623)</u>	<u>3,737,015</u>

TOWN OF CULLEN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

7. Changes in long-term debt

The following is a summary of changes in long-term debt for the year ended June 30, 2003:

	Certificate of <u>Indebtedness</u>	<u>Revenue</u>
Bonds payable, July 1, 2002	\$ 82,464	251,856
Bonds retired	<u>(17,897)</u>	<u>(251,856)</u>
Bonds payable, June 30, 2003	\$ <u>64,567</u>	<u>-</u>

Bonds at June 30, 2003, are comprised of the following individual issues:

Certificates of Indebtedness, Series 1999:

\$120,165 Certificates of Indebtedness, Series 1999,
dated November 4, 1999; due in monthly installments
installments of \$1,281 through November 4, 2009;
interest at 4 ¾%

\$ 64,567

The annual requirements to amortize all debt outstanding as of June 30, 2003, including interest payments of \$7,593 are presented below:

Year Ending <u>June 30,</u>	Certificates of <u>Indebtedness</u>
2004	\$ 15,374
2005	15,374
2006	15,374
2007	15,374
2008	<u>10,664</u>
	\$ <u>72,160</u>

Management has been paying and plans to pay in the future an additional \$500 per month on the outstanding certificates of indebtedness. If these payments are made then the total requirements to amortize the debt will be \$69,835.

On August 15, 2002, management elected to pay off the outstanding revenue bonds consisting of

TOWN OF CULLEN, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

principal and interest of \$251,856.

The following is a computation of legal debt margin at June 30, 2003:

Net assessed value	\$1,489,800
Debt limit - 10 percent of total assessed value	\$ 148,980

8. Sales and use tax

Effective July 1, 1995, an additional 1% sales and use tax was levied by the Town of Cullen to be used for any lawful purpose for the Town. Sales taxes collected on the 2% sales and use tax totaled \$80,665 for the year ended June 30, 2003. Sales taxes collected on the 1/2% sales and use tax totaled \$20,166 for the year ended June 30, 2003.

9. Contingent liabilities

At June 30, 2003, there was no litigation pending against the Town of Cullen.

10. Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. At June 30, 2003, such interfund receivables and payables were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 12,381	1,047
Special Revenue Funds:		
½% Sales Tax Fund	26,036	5,000
Revolving Loan Program	100	10
2% Sales Tax Fund	-	26,036
Enterprise Fund	<u>10,491</u>	<u>16,915</u>
	\$ <u>49,008</u>	<u>49,008</u>

TOWN OF CULLEN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

11 Retirement System

Prior to the current fiscal year, the employees of the Town elected to terminate their participation in the Municipal Employee's Retirement System. The plan was terminated effective July 1, 1992, following the conclusion of the plan's prescribed waiting period. All funds on deposit with the system were subsequently distributed to the employees according to plan terms and conditions. Subsequent to July 1, 1992 employees are covered by the Federal Social Security System.

Municipal Police Employees Retirement System of Louisiana (System)

Plan Description. All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3 percent of their final average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy. Plan members are required by state statute to contribute 7.5 percent of their annual covered salary and the Town of Cullen is required to contribute at an actuarially determined rate. The current rate is 9.0 percent of annual covered payroll. The contribution requirements of plan members and the Town of Cullen are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town of Cullen contributions to the System for the years ended June 30, 2003 and 2002, were \$9,183 and \$9,157, respectively, equal to the required

TOWN OF CULLEN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

contributions for each year.

12. Net working capital

At June 30, 2003, net working capital for the enterprise fund of the Town of Cullen was as follows:

Current assets	\$ 963,234
Current liabilities	<u>(43,234)</u>
Net working capital	<u>\$ 920,000</u>

13. Operating Leases

The Town of Cullen has two operating leases with Centurytel Telephone System . These leases are for telephone equipment for both City Hall and the Police Department. Both lease terms are for 60 months with a monthly minimum rent of \$49.99 for the City Hall system and \$44.67 for the Police Department system.

The minimum annual commitments under noncancelable operating leases are as follows:

<u>Fiscal Year</u>	<u>Equipment</u>
2004	\$ 1,136
2005	1,136
2006	1,136
2007	1,136
2008	<u>678</u>
Total	<u>\$ 5,222</u>

Operating lease payments for the year ended June 30, 2003 was \$457.

14. Revolving Loan Receivable

The Town of Cullen was awarded \$80,000 in funding for a Revolving Loan Fund under the Rural Business Enterprise Grant Program. The funds are being used in connection with a revolving loan program, established by the Town, to assist area small business development and expansion.

TOWN OF CULLEN, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

June 30, 2003

In connection with the Revolving Loan Fund, one loan recipient is delinquent on repayment of a \$45,000 loan made on May 1, 1988. The loan was secured by the mortgaged property. As of June 30, 2003, the total outstanding loan balance was \$39,471, and interest receivable was \$1,322. On July 2, 2001, the town adopted a resolution to initiate foreclosure proceedings against the loan recipient for non-payment of the balance due on the note secured by the mortgaged property. During the fiscal year ended June 30, 2003, no action has been taken regarding the collection proceeding initiated by the Town of Cullen.

A second loan recipient is delinquent on repayment of a \$10,000 loan made on March 1, 2001. The loan was secured by a second mortgage on the loan recipient's home. As of June 30, 2003, the total outstanding loan balance was \$8,861, and interest receivable was \$231. On October 21, 2003, the Town received notice that the property which was used to secure the loan was seized. The Town is determining action which can be taken to establish the collection of the loan.

15. Extraordinary loss in sewer fund

During the fiscal year ended June 30, 2003, an extraordinary loss of \$6,272 was recognized in the sewer fund to write-off the unamortized bond issuance costs. These bonds issuance costs were related to sewer revenue bonds paid off during the year.

FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS
AND ACCOUNT GROUPS

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

TOWN OF CULLEN, LOUISIANA
GENERAL FUND

COMPARATIVE BALANCE SHEET
June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
ASSETS		
Cash	\$ 48,021	40,263
Cash - CDs	1,990	9,988
Investments	119,010	128,143
Taxes and fees receivable	5,938	9,376
Grants receivable	300	-
Prepaid expenses	500	500
Due from other funds -		
Revolving loan program	10	10
Enterprise fund	12,371	7,847
Other receivables	8,905	6,965
Deposits	10	10
Current assets - restricted		
Cash in bank	2,199	2,199
Cash - CDs	<u>7,086</u>	<u>5,538</u>
 Total assets	 <u>\$ 206,340</u>	 <u>210,839</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 55,152	28,389
Due to other funds -		
Revolving loan	100	100
Sales tax fund	-	30,176
Enterprise fund	<u>947</u>	<u>1,751</u>
Total liabilities	<u>56,199</u>	<u>60,416</u>
 Fund balance:		
Reserved for drug policing activities	2,199	2,199
Reserved for debt retirement	7,086	5,538
Unreserved -		
Designated for Ludwig Park	1,942	1,924
Undesignated	<u>138,914</u>	<u>140,762</u>
Total fund balance	<u>150,141</u>	<u>150,423</u>
 Total liabilities and fund balance	 <u>\$ 206,340</u>	 <u>210,839</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CULLEN, LOUISIANA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (CASH BASIS) AND ACTUAL
Year Ended June 30, 2003
With Comparative Actual Amounts for Year Ended June 30, 2002

	2003				2002	
	Budget	Actual	Adjustment to Budgetary Basis (Note 1)	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)	Actual on Budgetary Basis
Revenues:						
Taxes - ad valorem	\$ 11,351	11,351	(134)	11,217	(134)	10,709
License and permits -						
Utility franchise fees	24,675	24,161	(326)	23,835	(840)	23,365
Licenses and permits	21,575	41,875	269	42,144	20,569	31,525
Intergovernmental -						
Beer taxes	4,550	4,869	58	4,927	377	3,512
Video poker	8,700	9,194	3,122	12,316	3,616	13,082
Federal grants	3,150	3,150	-	3,150	-	130,431
Other state, parish and municipal grants	20,150	20,457	(300)	20,157	7	19,538
Garbage revenue	63,000	64,963	(1,759)	63,204	204	49,901
Bonds, fines, and court costs	9,755	13,576	(450)	13,126	3,371	17,766
Interest	2,743	2,541	-	2,541	(202)	3,942
Other	5,995	8,993	632	9,625	3,630	15,085
Total revenues	175,644	205,130	1,112	206,242	30,598	318,856
Expenditures:						
Current -						
General government	91,685	78,529	(5,225)	73,304	18,381	186,294
Public safety -						
Police	193,765	188,200	(3,876)	184,324	9,441	171,451
Highways and streets	20,525	14,727	(1,562)	13,165	7,360	16,561
Sanitation	41,840	38,825	(833)	37,992	3,848	39,495
Debt Service						
Principal	18,150	18,075	-	18,075	75	17,017
Interest	3,275	3,299	-	3,299	(24)	4,357
Total expenditures	369,240	341,655	(11,496)	330,159	39,081	435,175

TOWN OF CULLEN, LOUISIANA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (CASH BASIS) AND ACTUAL
Year Ended June 30, 2003
With Comparative Actual Amounts for Year Ended June 30, 2002

	2003				2002	
	Budget	Actual	Adjustment to Budgetary Basis (Note 1)	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)	Actual on Budgetary Basis
(Deficiency) of revenues over expenditures	<u>(193,596)</u>	<u>(136,525)</u>	<u>12,608</u>	<u>(123,917)</u>	<u>69,679</u>	<u>(116,319)</u>
Other financing sources:						
Sale of capital assets	-	-	-	-	-	200
Operating transfers in -						
Two percent sales tax fund	120,000	126,905	-	126,905	6,905	115,757
One-half percent sales tax fund	<u>20,000</u>	<u>9,338</u>	<u>657</u>	<u>9,995</u>	<u>(10,005)</u>	<u>2,227</u>
Total other financing sources	<u>140,000</u>	<u>136,243</u>	<u>657</u>	<u>136,900</u>	<u>(3,100)</u>	<u>118,184</u>
Excess (deficiency) of revenues over and other sources over expenditures	<u>(53,596)</u>	<u>(282)</u>	<u>13,265</u>	<u>12,983</u>	<u>66,579</u>	<u>1,865</u>
Fund balance, beginning of year	<u>154,152</u>	<u>150,423</u>	<u>3,729</u>	<u>154,152</u>	<u>-</u>	<u>152,287</u>
Fund balance, end of year	<u>\$ 100,556</u>	<u>150,141</u>	<u>16,994</u>	<u>167,135</u>	<u>66,579</u>	<u>154,152</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CULLEN, LOUISIANA
GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET (CASH BASIS)

Year Ended June 30, 2003

With Comparative Actual Amounts for Year Ended June 30, 2002

	2003					2002
	Budget	Actual	Adjustment to Budgetary Basis (Note 1)	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)	Actual on Budgetary Basis
General Government:						
Salaries	\$ 27,800	27,080	(480)	26,600	1,200	27,400
Payroll taxes	2,155	2,045	-	2,045	110	2,235
Insurance	2,100	2,181	(383)	1,798	302	927
Advertising - legal and other	1,000	1,467	(240)	1,227	(227)	1,270
Accounting and legal	5,500	4,380	(600)	3,780	1,720	5,175
Utilities and telephone	15,000	12,910	(450)	12,460	2,540	9,689
Office supplies and tax roll	5,000	3,566	118	3,684	1,316	5,312
Meetings and conventions	5,000	4,767	(146)	4,621	379	2,720
Coroner's and ambulance fees	3,000	1,919	(1,246)	673	2,327	1,832
Dues and subscriptions	3,000	2,766	-	2,766	234	3,389
Maintenance of municipal building	4,650	2,275	172	2,447	2,203	1,332
Other	14,530	10,396	(1,970)	8,426	6,104	13,010
Court expenses	2,950	2,777	-	2,777	173	-
Capital outlay	-	-	-	-	-	112,003
Total general government	\$ 91,685	78,529	(5,225)	73,304	18,381	186,294
Public safety:						
Police -						
Salaries	\$ 105,820	103,713	(129)	103,584	2,236	105,749
Payroll taxes	17,785	17,226	-	17,226	559	18,183
Insurance	20,000	16,837	(1,546)	15,291	4,709	17,359
Supplies	3,000	1,952	(552)	1,400	1,600	1,453
Maintenance	6,000	1,399	(31)	1,368	4,632	281
Office supplies	400	296	(169)	127	273	395
School and training	1,600	1,373	-	1,373	227	1,119
Police auto expense	10,000	10,091	(349)	9,742	258	11,374
Uniforms	1,250	1,201	-	1,201	49	507
Telephone and utilities	9,000	9,661	(726)	8,935	65	3,456
Jail expense	6,250	6,573	1,877	8,450	(2,200)	3,772
Other	5,560	10,778	(2,251)	8,527	(2,967)	4,965
Capital outlay	7,100	7,100	-	7,100	-	2,838
Total police	\$ 193,765	188,200	(3,876)	184,324	9,441	171,451

The accompanying notes are an integral part of this statement.

TOWN OF CULLEN, LOUISIANA
GENERAL FUND

STATEMENT OF EXPENDITURES COMPARED TO BUDGET (CASH BASIS)

Year Ended June 30, 2003

With Comparative Actual Amounts for Year Ended June 30, 2002

	2003					2002
	Budget	Actual	Adjustment to Budgetary Basis (Note 1)	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)	Actual on Budgetary Basis
(Continued)						
Highways and streets:						
Insurance	\$ 2,075	1,832	(261)	1,571	504	1,814
Expendable tools and supplies	200	1,212	-	1,212	(1,012)	45
Maintenance and upkeep of streets	3,000	2,488	(1,052)	1,436	1,564	698
Maintenance and upkeep of equipment	5,000	1,954	(82)	1,872	3,128	6,866
Street electricity	7,250	7,131	(167)	6,964	286	7,130
Capital outlay	2,000	-	-	-	2,000	-
Other	1,000	110	-	110	890	8
Total highways and streets	\$ 20,525	14,727	(1,562)	13,165	7,360	16,561
Sanitation:						
Salaries	\$ 16,000	15,655	(101)	15,554	446	15,529
Payroll taxes	1,270	1,213	-	1,213	57	1,300
Insurance	9,200	7,606	(488)	7,118	2,082	8,675
Tipping fee	7,000	7,635	(53)	7,582	(582)	7,581
Maintenance and upkeep of trucks	6,500	5,714	343	6,057	443	5,433
Contracting services	1,000	169	(105)	64	936	37
Safety supplies	150	-	-	-	150	12
Bad debt	-	429	(429)	-	-	-
Other	720	404	-	404	316	928
Total sanitation	\$ 41,840	38,825	(833)	37,992	3,848	39,495
Total expenditures	\$ 347,815	320,281	(11,496)	308,785	39,030	413,801

SPECIAL REVENUE FUNDS

Two Percent Sales Tax Fund - To account for the receipt and use of proceeds of the Town's 2% sales and use tax. The revenue from the tax may be used for any lawful corporate purpose.

One-half Percent Sales Tax Fund - To account for the receipt and use of proceeds of the Town's 1/2% sales and use tax. The revenues from the tax may be used for any lawful corporate purpose other than expenditures for police supplies and equipment.

Revolving Loan Program Fund - To account for the resources and expenditures of a Rural Business Enterprise Grant from the Rural Business-Cooperative Service of the U.S. Department of Agriculture. Grant funds are used to establish a revolving loan program to assist area small business development and expansion needs.

TOWN OF CULLEN, LOUISIANA
SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET
June 30, 2003
With Comparative Totals for June 30, 2002

	Two Percent Sales Tax Fund	One-half Percent Sales Tax Fund	Revolving Loan Program Fund	Totals	
				June 30, 2003	June 30, 2002
<u>ASSETS</u>					
Cash	\$ 13,924	5,510	4,499	23,933	19,510
Cash - CDs	8,325	20,969	7,055	36,349	56,840
Investments	11,323	111,312	-	122,635	120,854
Loan receivable	-	-	48,331	48,331	48,688
Interest receivable	-	-	1,289	1,289	1,367
Sales tax receivable	6,546	1,636	-	8,182	9,549
Due from other funds	-	26,036	100	26,136	30,276
Total assets	<u>\$ 40,118</u>	<u>165,463</u>	<u>61,274</u>	<u>266,855</u>	<u>287,084</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ -	-	-	-	780
Due to other funds	26,036	5,000	10	31,046	10
Total liabilities	<u>26,036</u>	<u>5,000</u>	<u>10</u>	<u>31,046</u>	<u>790</u>
Fund Balance:					
Unreserved -					
Undesignated	<u>14,082</u>	<u>160,463</u>	<u>61,264</u>	<u>235,809</u>	<u>286,294</u>
Total liabilities and fund balances	<u>\$ 40,118</u>	<u>165,463</u>	<u>61,274</u>	<u>266,855</u>	<u>287,084</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CULLEN, LOUISIANA
SPECIAL REVENUE FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
Year Ended June 30, 2003
With Comparative Totals for Year Ended June 30, 2002

	Two Percent Sales Tax Fund	One-half Percent Sales Tax Fund	Revolving Loan Program Fund	Totals	
				June 30, 2003	June 30, 2002
Revenues:					
Taxes	\$ 80,665	20,166	-	100,831	108,520
Interest income	400	1,864	183	2,447	4,635
Total revenues	<u>81,065</u>	<u>22,030</u>	<u>183</u>	<u>103,278</u>	<u>113,155</u>
Expenditures:					
General government	1,185	6,032	-	7,217	1,399
Culture and recreation	224	5,079	-	5,303	7,100
Total expenditures	<u>1,409</u>	<u>11,111</u>	<u>-</u>	<u>12,520</u>	<u>8,499</u>
Excess of revenues over expenditures	79,656	10,919	183	90,758	104,656
Other financing uses -					
Operating transfers out	<u>(126,905)</u>	<u>(14,338)</u>	<u>-</u>	<u>(141,243)</u>	<u>(118,641)</u>
Excess (deficiency) of revenues over expenditures and other uses	(47,249)	(3,419)	183	(50,485)	(13,985)
Fund balances, beginning of year	<u>61,331</u>	<u>163,882</u>	<u>61,081</u>	<u>286,294</u>	<u>300,279</u>
Fund balances, end of year	<u>\$ 14,082</u>	<u>160,463</u>	<u>61,264</u>	<u>235,809</u>	<u>286,294</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CULLEN, LOUISIANA
SPECIAL REVENUE FUNDS
TWO PERCENT SALES TAX FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (CASH BASIS) AND ACTUAL
Year Ended June 30, 2003
With Comparative Actual Amounts for Year Ended June 30, 2002

	2003			2002		
	Budget	Actual	Adjustment to Budgetary Basis (Note 1)	Actual on Budgetary Basis	Variance Favorable (Unfavorable)	Actual on Budgetary Basis
Revenues:						
Sales tax collected	\$ 83,100	80,665	1,094	81,759	(1,341)	89,077
Interest income	375	400	-	400	25	1,016
Total revenues	<u>83,475</u>	<u>81,065</u>	<u>1,094</u>	<u>82,159</u>	<u>(1,316)</u>	<u>90,093</u>
Expenditures:						
General government	1,175	1,185	-	1,185	(10)	1,116
Collection expense	-	224	-	224	(224)	4,000
Culture and recreation	-	-	-	-	-	-
Total expenditures	<u>1,175</u>	<u>1,409</u>	<u>-</u>	<u>1,409</u>	<u>(234)</u>	<u>5,116</u>
Excess of revenues over expenditures	82,300	79,656	1,094	80,750	(1,550)	84,977
Other financing uses:						
Operating transfers out - General fund	<u>(120,000)</u>	<u>(126,905)</u>	<u>-</u>	<u>(126,905)</u>	<u>(6,905)</u>	<u>(115,757)</u>
(Deficiency) of revenues over expenditures and other financing uses	(37,700)	(47,249)	1,094	(46,155)	(8,455)	(30,780)
Fund balance, beginning of year	<u>53,692</u>	<u>61,331</u>	<u>(7,639)</u>	<u>53,692</u>	<u>-</u>	<u>84,472</u>
Fund balance, end of year	<u>\$ 15,992</u>	<u>14,082</u>	<u>(6,545)</u>	<u>7,537</u>	<u>(8,455)</u>	<u>53,692</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF CULLEN, LOUISIANA
SPECIAL REVENUE FUNDS
ONE-HALF PERCENT SALES TAX FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (CASH BASIS) AND ACTUAL

Year Ended June 30, 2003

With Comparative Actual Amounts for Year Ended June 30, 2002

	2003				2002	
	Budget	Actual	Adjustment to Budgetary Basis (Note 1)	Actual on Budgetary Basis	Variance - Favorable (Unfavorable)	Actual on Budgetary Basis
Revenues:						
Sales tax collected	\$ 20,775	20,166	274	20,440	(335)	22,269
Interest income	1,875	1,864	-	1,864	(11)	3,067
Total revenues	22,650	22,030	274	22,304	(346)	25,336
Expenditures:						
General government						
Collection expense	300	296	-	296	4	279
Miscellaneous	8,000	5,736	-	5,736	2,264	-
Culture and recreation	7,000	5,079	123	5,202	1,798	3,054
Total expenditures	15,300	11,111	123	11,234	4,066	3,333
Excess of revenues over expenditures	7,350	10,919	151	11,070	3,720	22,003
Other financing uses:						
Operating transfers out -						
General fund	(20,000)	(9,338)	(657)	(9,995)	10,005	(2,227)
Water fund	(5,000)	(5,000)	-	(5,000)	-	-
Total other financing uses	(25,000)	(14,338)	(657)	(14,995)	10,005	(2,227)
Excess (deficiency) of revenues over expenditures and other financing uses	(17,650)	(3,419)	(506)	(3,925)	13,725	19,776
Fund balance, beginning of year	162,751	163,882	(1,131)	162,751	-	142,975
Fund balance, end of year	\$ 145,101	160,463	(1,637)	158,826	13,725	162,751

The accompanying notes are an integral part of this statement.

GENERAL FIXED ASSETS ACCOUNT GROUP

To account for fixed assets not used in proprietary fund operations.

TOWN OF CULLEN, LOUISIANA

COMPARATIVE STATEMENT OF GENERAL FIXED ASSETS

June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
General fixed assets, at cost:		
Land	\$ 69,693	69,693
Buildings	493,317	414,526
Improvements other than buildings	887,941	887,941
Equipment	<u>593,847</u>	<u>610,151</u>
Total general fixed assets	<u>\$ 2,044,798</u>	<u>1,982,311</u>
Investment in general fixed assets:		
Donation	\$ 147,859	71,159
General fund revenues	353,940	370,753
Sales tax fund revenues	21,851	21,851
Federal revenue sharing funds	95,494	95,494
Federal and state grants	<u>1,425,654</u>	<u>1,423,054</u>
Total investment in general fixed assets	<u>\$ 2,044,798</u>	<u>1,982,311</u>

The accompanying notes are an integral part of this statement.

TOWN OF CULLEN, LOUISIANA

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS

Year Ended June 30, 2003

	Land	Buildings	Improvements Other than Buildings	Equipment	Total
General fixed assets at beginning of year	\$ 69,693	414,526	887,941	610,151	1,982,311
Additions	-	78,791	-	9,847	88,638
Total beginning balances and additions	69,693	493,317	887,941	619,998	2,070,949
Deletions	-	-	-	(26,151)	(26,151)
General fixed assets at end of year	\$ 69,693	493,317	887,941	593,847	2,044,798

The accompanying notes are an integral part of this statement.

GENERAL LONG-TERM DEBT
ACCOUNT GROUP

To account for unmatured principal amounts on general long-term debt expected to be financed from governmental type funds. To account for accumulated unpaid compensated absences not accrued in governmental type funds.

TOWN OF CULLEN, LOUISIANA

STATEMENT OF GENERAL LONG-TERM DEBT

June 30, 2003

With Comparative Totals for June 30, 2002

	<u>2003</u>	<u>Totals</u> <u>2002</u>
AMOUNTS AVAILABLE AND TO BE PROVIDED FOR RETIREMENT OF GENERAL LONG-TERM OBLIGATIONS		
Funds to be provided from -		
General Fund operation	\$ 68,569	86,861
Total available and to be provided	\$ 68,569	\$ 86,861
GENERAL LONG-TERM DEBT OBLIGATIONS		
Certificate of Indebtedness, Series 1999	\$ 64,567	82,464
Accumulated Unpaid Compensated Absences	4,002	4,397
Total general long-term debt obligations	\$ 68,569	\$ 86,861

The accompanying notes are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF CULLEN, LOUISIANA

SCHEDULE OF COMPENSATION PAID BOARD MEMBERS

June 30, 2003

The Mayor and Board of Aldermen for the Town of Cullen were compensated for the year ended June 30, 2003 as follows:

	<u>Mayor</u>	<u>Alderman</u>
Floydean White	\$ 10,200	-
Maude Underwood	-	1,500
Myrtle Veal (does not receive compensation)	-	-
Curtecia Kennedy	-	1,500
Jennifer Rhone	-	1,500
Andre' Washington	-	<u>1,500</u>
Compensation paid	\$ <u>10,200</u>	<u>6,000</u>

TOWN OF CULLEN, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2003

The prior year audit findings for the year ended June 30, 2002, were as follows:

Section I - Internal Control and Compliance Material to the Financial Statements

In connection with the audit of the general purpose financial statements as of and for the year ended June 30, 2002, of the Town of Cullen, Louisiana, there were no items noted that are required to be reported in accordance with GAGAS.

Section II - Findings and questioned costs related to federal awards

In connection with the audit of the general purpose financial statements as of and for the year ended June 30, 2002, of the Town of Cullen, Louisiana, there were no items noted that are required to be reported in accordance with OMB Circular A-133.

Section III - Management letter

2002-1: Use of public funds and Art. 7 Section 14 of the LA Constitution of 1974

Finding: Article 7, Section 14 of the LA Constitution of 1974 prohibits the funds, credit, property or things of value from being loan, pledged, or donated to or for any person, association or corporation. The Town of Cullen entered into three transactions during the year ended June 30, 2002 which were considered to be a possible violation of Article 7, Section 14.

Status: Two out of three transactions noted in the prior year report have been addressed by the town. The town continues to contribute funds to the Boys & Girls Club and has formally prepared a list which identifies how this transaction complies with the requirements of Article 7, Section 14. The Town also has a formal cooperative endeavor agreement which addresses the services provided to the Hope Center.

The town has not adhered to its utility cutoff policy of cutting off past due accounts. A comment has been made in the Corrective Action Plan.

TOWN OF CULLEN, LOUISIANA

CORRECTIVE ACTION PLAN

June 30, 2003

Section I - Internal Control and Compliance Material to the Financial Statements

In connection with the audit of the general purpose financial statements as of and for the year ended June 30, 2003, of the Town of Cullen, Louisiana, there were no items noted that are required to be reported in accordance with GAGAS.

Section II - Management Letter

2003-1: Insufficient effort to collect delinquent utility accounts

Description of finding: **The town is not following its policy for collecting delinquent utility accounts.** The town's cut-off policy provides that if customers do not pay their bill by the end of the first month next succeeding the month in which the charge was incurred and for which it was billed, he shall be notified by the clerk of the town that such charge must be paid within ten days of the communication giving the notice, under penalty of having service disconnected. Continuing to provide services after the cut-off date and not actively trying to collect delinquent utility account balances is prohibited by Louisiana's constitution (Article VII, Section 14(A) of the Louisiana Constitution of 1974). In addition, the continued operation and quality of service provided to customers depends on the town collecting for the services it provides.

Our review of customers with balances overdue as of June 30, 2003 revealed that eighty-one out of eight hundred seventy-two account were over sixty days past due. Of these accounts, forty-three were still active, and only thirty-eight had been disconnected. In addition, overdue accounts were noted for several employees of the Town. The receivable of the eighty-one accounts was \$13,855, which represents 34% of the total receivable balance as of June 30, 2003, before proposed write-offs for uncollectible accounts.

2003-2: Controls over receivables and customer meter deposits

Description of finding: **The town needs to improve controls over water, sewer, and garbage receivables and customer meter deposits.** Our testwork revealed the following:

TOWN OF CULLEN, LOUISIANA

CORRECTIVE ACTION PLAN

June 30, 2003

- The Water and Sewer Fund accounts receivable balance in the general ledger is not reconciled monthly with the detailed accounts receivable customer listing. At June 30, 2003, the general ledger balance totals \$32,267, and the detailed accounts receivable customer listing totals \$40,716, a difference of \$8,449. Of this difference, we were able to determine that \$7,186 was due to a posting error in the general ledger, leaving an unexplained variance of \$1,263.
- The meter deposit bank account balances and customer deposit liability account balance in the general ledger are not reconciled monthly with the detailed listing of customers' meter deposits. As of June 30, 2003, the cash balances in the meter deposit bank and investment accounts total \$23,602, the customer deposits payable in the general ledger total \$20,838. It is important to reconcile the deposit liability to the billing system, since any excess cash in the bank account can be used for general utility operations. No listing of the customer deposits balance had been printed for the yearend date of June 30, 2003.

2003-3: Fixed asset record should be complete

Description of finding: Detailed general fixed asset records for equipment are not current, the equipment is not tagged, and physical inventories for these assets are not conducted annually. R.S. 24:515(B)(1) requires the town to maintain records of all land, buildings, improvements other than buildings, equipment and any other general fixed assets, which were purchased or otherwise acquired. The records should include information as to the date of purchase of such property or equipment and the initial cost.

The town's listing of general fixed assets was not current or complete. Our tests revealed that:

- A physical inventory was not conducted during our audit period.
- Equipment items are not tagged identifying it with a number that can be cross-referenced to the detailed listing.
- Although no physical inventory was conducted by the town to update the general fixed assets listing, a physical observation revealed some items on the listing needed to be removed because these items could not be located. One item of the police department acquired in 1999 totaling \$255, and three items of the street department totaling \$3,901 could not be located or did not exist. Two of the three items of the street department which could not be located were acquired in 1983 at a total cost of \$3,871 and the third item was acquired in 1973.

TOWN OF CULLEN, LOUISIANA

CORRECTIVE ACTION PLAN

June 30, 2003

- A building was donated to the town. At the time of donation, no records were obtained to estimate the fair market value of this donation and add to general fixed asset listing.

2003-4: Deposits not made on a daily basis

Description of finding: **Town does not reconcile cash drawers on a daily basis.** Our testwork revealed:

- The town does not reconcile its cash drawers on a daily basis.
- Deposits of receipts are not made to the bank on a daily basis.
- Petty cash expenses are not reimbursed on a regular basis.

2003-5: Balance due to FEMA

Description of finding: **The town is required to pay FEMA back for the difference in cleanup costs incurred and revenues received from FEMA.** During 2001, the town received funds from FEMA to aid debris removal and emergency protective measures as a result of an ice storm. In the prior year, final costs of the cleanup were incurred leaving a balance due back to FEMA of \$10,579. As of June 30, 2003, repayment to FEMA for unused funds has not been made.

2003-6: Enforcement of town ordinance

Description of finding: **The town has not followed the appropriate procedures as stipulated in its ordinance regarding requirements that landowners clear their premises.** If any property owner situated within the corporate limits of Cullen shall fail or neglect to comply with the provisions of the town code concerning clearing of premises, the mayor may, at his discretion, give the landowner a written "Notice to Comply." This written notice may be given by registered mail, or may be given through a advertisement in the official journal of the town for two consecutive days, and will give the owner at least ten days to comply with the requirements. If the owner fails to comply, the town may cut the grass, weeds, or other noxious growths or cause them to be cut and charge the owner for all of the costs thereof, if done by any other than the town, or reasonable charges if done by the town.

TOWN OF CULLEN, LOUISIANA

CORRECTIVE ACTION PLAN

June 30, 2003

Our tests revealed that:

- The Town incurred the cost of cleaning the lots of property owners without giving proper notice to comply.
- Efforts to collect payments are limited to letters to property owners notifying of amount due to the town. Some property owners refuse to reimburse the town because proper notification was not received.
- Lack of system to properly account for amounts receivable from property owners for costs incurred. As of June 30, 2003, the town incurred \$910 of unreimbursed lot cleaning expense.

2003-7: Control over cellular phone usage and town assets

Description of finding: **Town does not have a cellular phone usage policy.** The town provides a cellular phone to the Mayor and the Police Chief. Currently, the town has no formal cellular phone policy. During our testwork, we noted that the town is incurring charges from Alltel for 3 cellphones. Only one telephone is being used by the police chief, the other two have not been cancelled, and subsequently the town is incurring a monthly fee for the unused phones. During the current year, the mayor obtained a separate cellular phone plan through AT&T wireless.

Town Policy for use of assets – We noted in review of minutes, complaints made regarding possible use of the town's equipment for personal matters. It was noted the town allows one employee to take the town vehicle after business hours due to possible town business after hours. The town management needs to reemphasize to town personnel that use of town assets is restricted to public purposes. Personal use must be limited to incidental use while carrying on town business.

2003-8: Control over payroll

Description of finding: **During payroll testwork, we noted time cards being punched in by other employees.** We observed time cards being punched by one employee for other employees. Since these time cards are used to produce payroll, for better controls we recommend that the supervisors of employees sign off on a log sheet for employee time and the mayor sign the supervisor time sheet to indicate approval. The town must establish a system to verify that employees are reporting to work and town funds are spent for actual work performed.

**OFFICE OF THE MAYOR
TOWN OF CULLEN**

BOBBY R. WASHINGTON

MAYOR

318-994-2263

FAX 318-994-2189

PO BOX 679

CULLEN, LA 71021

V. S. Coleman

Ione Dubberly

**Maude Underwood
Board of Aldermen**

Myrtle Veal

Floydson White

December 31, 2003

**Jamieson, Wise & Martin, APAC
Attn: Carlos E. Martin
P. O. Box 897
Minden, LA 71058**

Dear Sir:

In reply to the findings on the Audit Report for the fiscal year ending June 30, 2003, please accept the following Management's Response and Corrective Action Plan:

1. Insufficient effort to collect delinquent utility accounts

This has been an outstanding concern for years. Many of the customers were behind when the rates increased last year, compounding this problem. The Town will do the following to correct this finding: (1) Enforce the policy to the fullness. The clerk will notify the customer of its debt and let them know it must be paid within ten days or service will be discontinued. (2) Take aggressive action to collect the delinquent accounts that are locked down with no service, including legal action when necessary, and turn accounts over to collection agency.

2. Controls Over Receivables and Customer Meter Deposits

The variance in the General Ledger balance for accounts receivables and the actual water and sewer customer listing has been present for as long as the present clerk has been employed, therefore, no monthly reconciliation was done. I understand that the Auditors have made an adjustment with this audit to balance the General Ledger with the actual computer totals from the utility billing program; therefore, in the future, the General Ledger balances will be reconciled with the utility billing totals and errors will be located and adjustments made to ensure that they are the same.

I also understand that adjustments were made with this audit to reconcile the water meter deposits payables with the General Ledger payables. This has normally been checked annually, but has also been out of balance for years. Every effort will be made to ensure that the total of the utility deposits is reconciled to the general ledger

payables balance and that the bank account balances are also the same amounts. This will be done on a monthly basis.

3. Fixed Asset Records should be complete

With regard to the above observation, the Town of Cullen will do the following: (1) Conduct a physical inventory of the fixed assets. (2) Prepare and maintain a detailed list of fixed assets, including the date of purchase, initial cost and detailed description. (3) Equipment items will be labeled or tagged to identify it with a number that can be cross referenced to the detailed listing. (4) I am not sure which items were included in the \$3,901 amount, other than a cut-saw, which was stolen and reported to the Police Department, but I do understand that the items in question were very old and purchased long before any of the present personnel were employed, and before I became Mayor. (5) The fair market value of the bank building which was donated to the Town has been obtained and this item will be recorded as a general fixed asset.

4. Deposits not made on a daily basis

The employees will do a much better job in reconciling the cash drawers on a daily basis. Since the bank moved from Cullen, it has been much harder to make daily deposits, but every effort is now being made to deposit monies collected on a daily basis. Occasionally, because of the small staff, if only one person is working, it is almost impossible to leave the office to make the deposit and our clerk is now making most of the deposits after the office closes.

As a rule, the petty cash expenses are reimbursed on a regular basis. This was an exceptional period of time, when this was not done. It will not happen again. Our office is understaffed at times, and it seems that it is impossible to do everything. There are not funds to pay an additional employee.

5. Balance due to FEMA

The Town of Cullen has made an effort to return funds received from FEMA that were not used for the 2001 Ice Storm Disaster. The cleanup of debris did not take as much time or money as originally estimated. When this office called FEMA to ask about the remaining funds, we were informed that we were not to send the money with the final report, but to hold the funds until they were requested. They have not yet requested the funds. The Town will write FEMA and get a letter in writing to confirm if and when the funds need to be returned.

5. Enforcement of Town's Ordinance

In addressing the observation of the Town not following appropriate procedures, as stipulated in its ordinance, regarding requirements that landowners clean their premises, I feel that the Town has always followed this ordinance. Each property owner where land was cleaned should have received a letter. Mistakenly, some letters may not have been register mail. Also, an article appeared in the local newspaper about clearing of property by property owner or their designee. The owners have always been given ten days or in most cases more than ten days. Observations made that some property owners refuse to reimburse the Town because proper notification was not received is an observation that I totally disagree with. On only one occasion, a property owner had moved to Minden. The Town did not have the correct address. Several calls were made to property owners for about two or three months with messages being left each time on their voice mail. No response was ever received. The grass was so high creating a safety hazard; therefore it was cut. This is one isolated case.

Over the years the procedures have been followed with regard to town ordinances about clearing property. It has always been put on their property tax bill. Most of the property owners pay; some do not because they do not pay their taxes either and let the property go or allow another family member to eventually pay. Invoices are mailed for each time the property has been cut and most, if not all the amount of \$910 incurred for clearing of property should be collected. Every effort will be made to collect this money from the individual property owners.

The Town will continue to follow its ordinance regarding the clearing of property.

6. Control over Cellular phone usage and town assets

The Town will develop and implement a Cellular Phone Policy. All efforts will be made to document calls, review the phone bills, and provide for reimbursement to the Town for personal calls. I have already been looking into this situation earlier this year. Since arrangements had been made several years ago through a contract with Alltel, the correction of this problem will have to be delayed until the contract ends in March 2004.

Town Policy for Use of Assets

It had been observed that one individual being allowed to take the town vehicle home after business hours. This individual has worked for the Town over nine years during this employment, but had been employed by the Town for many years prior. This has always been a practice to my knowledge, to enable the Town to have a town maintenance person available with all the basic tools, wrenches, for emergencies after

hours and on weekends. This practice has been in place for over ten years. This individual is aware of the use of Town assets being restricted to public purpose and that personal use must be limited to incidental use while carrying on Town business.

7. Control over Payroll

It was observed that time cards were being punched by one employee for another employee. All employees have received a copy of the Town policies which also addresses the above. This will be re-emphasized in our next personnel meeting. The Mayor has begun to work on a system for employee accountability purposes, which will also address the time card situation. The supervisor does double check the employees' time cards. The mayor will begin to sign off on the supervisor's time card to indicate her approval. The Town is working on a better system to verify that employees are at work and that the Town funds are being spent on work actually performed.

Yours truly,

TOWN OF CULLEN



Floydean White
Mayor

FW:nb